

Next Michigan a.k.a. AEROTROPOLIS

House Transportation
Committee
Scott Schrager
Michigan Department of
Treasury



1

POSITIVE FEATURES



- Provides for coordinated economic development decisions among local units of government through interlocal agreement.
- Provides opportunity for concentrated use of economic development tools for air and multimodal commerce.

2

FEATURES OF PACKAGE INCENTIVES

- 46% of property tax abatements affect school aid revenue or school aid expenditures.
- State reimburses community colleges and libraries for property tax not paid in renaissance zones.
- Renaissance zones exempt all MBT activity within the zone.
- Local governments receive side payments from renaissance zone companies.

3

PROBLEM AREAS (HB 5346)

- *Should be limited to 5 rather than 10 next Michigan corporations.*
- *Approval should not be automatic if strategic fund or fund president fails to act*
- Application should not precede application form.
- Application should not be premised on single facility or obsolete facility.
- Access to confidential information held by Next Michigan corporation should be made available to other reviewing parties .

4

PROBLEM AREAS (HB 5347)

- Authority under MCL 124.504 of non-qualifying township to be part of the corporation establishing LDFA under
- Permitted use of tax revenue outside municipality where taxes are captured.

5

PROBLEM AREAS (HB 5351)

- ***Expanded MEGA definition used as basis for the package includes all businesses except casinos.***
- Expanded definition flows through to use of PA 198's, personal property abatements, LDFA's, and renaissance zones.
- Creates potential competitive tension between Next Michigan Corporation and neighboring urban centers.

6

PROBLEM AREAS (HB 5349)

- *Implied automatic approval of business qualifying for renaissance zone status.*
- *While number and size of zones are limited an unlimited number of businesses can qualify for renaissance zone status.*
- Only limit is 2000 acres of space.

7

REQUESTED CHANGES

- Narrow operative definition by limiting to air and multimodal commerce and logistics.
- Strengthen approval criteria for next Michigan corporation.
- Eliminate any deemed approvals.
- Resolve legal problem for LDFA's.
- Resolve other technical issues.

8



OFFICE OF MAYOR VIRG BERNERO
124 W. MICHIGAN AVENUE – NINTH FLOOR
LANSING, MI 48933

October 15, 2009

The Honorable Pam Byrnes, Chair
House Committee on Transportation
251 State Capitol Building
P.O. Box 30014
Lansing, MI 48909-7514

Dear Chairperson Byrnes:

I am writing to express the City of Lansing's strong opposition to House Bills 5346-5351, which are currently before your committee.

The plan encompassed within this legislation is deeply flawed in multiple respects:

- 1) The bills have nothing to do with the development of airport sites. In fact, as currently written they would inflict a devastating blow to core communities in the state and constitute an end run around cities and long-standing state urban policy. The bills disarm cities and tilt the currently competitive playing field toward sprawling greenfield sites and away from urban population centers. The bills are designed to create ten large regions across the state that would gain access to previously inaccessible core community tools.
- 2) The bills are anti-land use policy and anti-smart growth strategies. They would be a disaster for our state environment and natural resources and represent exactly the wrong path toward a prosperous, clean, green and healthy Michigan future. The bills will foster uncontrollable sprawl across townships, greenfields and farm fields, while leaving cities in further decline. Michigan is well-known nationally as having the worst urban sprawl record of all 50 states over the last century. These bills certainly will enhance that unfortunate legacy.
- 3) The bills severely undermine local control by granting the power to approve local economic incentives to the Next Michigan Authority and to the MSF Board, thus leaving local, elected bodies out of the decision making process.

- 4) Comments have been made that these bills do not take away incentives from anyone, merely add them to others. This is a disingenuous claim at best. Core community tools were granted to distressed communities, mainly cities, to level the economic playing field vis-à-vis the townships. Cities uniquely have to deal with a variety of issues that makes it difficult for them, from a bottom line business perspective, to compete with township greenfield sites. True, the bills do not take away incentives from cities, but by granting the incentives to nearly all surrounding communities, the playing field will be more than tipped to greenfield development and townships. This core community policy, held firm over the past decade, has been nothing short of a miracle for the rebirth of cities. Because of this policy, cities are beginning to see new life, which is imperative if not the key to the state's recovery prospects as we work to compete in the global economy. By releasing the core community tools to others, there is every reason to believe that cities will again begin to decline rather than grow and prosper.
- 5) Comments have been made that this bill will help the state compete in the global economy. It is our belief that first and foremost, the state will be unable to successfully compete in the global economy without great cities. A vast body of data over the last decade shows that young entrepreneurs, young creative people and new economy businesses seek first and foremost a sense of place, meaning a vibrant urban environment, large or small, and a creative and cultural environment connected to a university setting. These bills disarm the core community mission of cities across the state. The poorer our cities, no matter what else we do, the fewer overall jobs, businesses and young people will we be able to attract and/or grow to the state.
- 6) The definition of which businesses may qualify for the Next Business Zone is wide open and utterly unrelated to airports.
- 7) Local cooperation is already fully available through existing state statutes like the Interlocal Agreement and P.A. 425. Speeding local permitting processes and other such related items can already be accomplished locally.

I urge your "no" vote on this legislation and ask you with all due respect to begin the task of actually formulating a regional and statewide policy that strengthens the connection between vibrant communities and world class universities. That is the only proper path to a globally competitive Michigan.

Sincerely,



Virg Bernero
Mayor of Lansing



October 9, 2009

The Honorable Pam Byrnes
State Representative
Michigan House of Representatives
PO Box 30014
Lansing, Michigan 48909-7514

RE: House Bills 5346-5351-Next Michigan Development Corporations &
Multimodal Commerce

Dear Representative Byrnes:

Thank you for your work on the Next Michigan Development Corporations & Multimodal Commerce Bills. This is a letter to clarify the City of Grand Rapids' position on the bill package. The City recommends the committee reconsider the previously introduced bills on this subject.

The original package of "Aerotropolis" bills incorporated a reasonable economic support effort for areas surrounding airports and limited the Next Michigan Development areas to such and would enable the City of Grand Rapids to utilize the legislation should we be inclined to do so.

The current package of bills will drastically hurt the urban core cities as now written by permitting these economic development tools to be used indiscriminately throughout the State. The intent of most of these economic development tools is to encourage companies to locate in "distressed" or core communities and accelerate economic growth in those areas. The City of Grand Rapids would support amendments to the bills to limit the definition of the Next Michigan Development areas to the areas surrounding airports so that the "urban core" communities are not put at a disadvantage as a result of this legislation. In addition, the City of Grand Rapids would support the amendment of the definition of an "eligible business" to be those businesses located within the Next Michigan Development areas surrounding airports. These amendments focus the tool on Aerotropolis growth and assure equal footing for the urban core communities for sustainable development and sustainable jobs at the time when we need them most.

Without these amendments, the Next Michigan legislation will have a very negative effect on core cities and would promote sprawl in prime agricultural area of our state by providing incentives for companies to locate on greenfield sites rather than the urban core communities targeted by the current economic development core community statutes.

Next Michigan will shift any new jobs the program generates from locating in the urban core to instead locate in greenfield areas within Michigan just when investing in redeveloping core communities is the State's most effective economic development tool. Over 85% of Michigan's population is located in urban areas. That is where people live, where businesses want to locate and where investments will generate the most return. Investments in core communities and Aerotropolis areas serving core communities will prevent sprawl and further expansion of unsustainable infrastructure. In short, the current form of the Next Michigan legislation defeats the entire purpose of the economic development tools it seeks to bundle by expanding its scope to unsustainable areas. The prior package drafted in 2008 concentrated tools in a sustainable way that focused economic energy to accelerate business growth and job creation.

Thank you for your attention to this matter.

Please let us know if you need further clarification of any of the suggestions. The City staff stands ready to assist you with implementation of our recommendations and suggestions.

Thank you again for your interest in accelerating economic activity in our State.

Sincerely,



Eric R. DeLong
Deputy City Manager

cc: Gregory Sundstrom, City Manager
Kara Wood, Economic Development Director
Haris Alibasic, Administrative Aide
Birgit Klohs, The Right Place, Inc.
Andy Schor, Michigan Municipal League
State Representative Roy Schmidt

**Testimony on House Bills 5346-5351
Michigan House of Representatives
Transportation Committee
Thursday, October 8, 2009**

Good Morning. My name is Brenda Stumbo. I am the Supervisor of Ypsilanti Township in Washtenaw County. Thank you Chairperson Byrnes, and the entire Committee, for allowing me to testify in support of the Next Michigan Development Act Legislation—House Bills, 5346-5351.

As you may know, Ypsilanti Township is a partner to the Aerotropolis Development Corporation. We joined the partnership and have worked in earnest for the past several years to move the Aerotropolis vision forward to make a better future for the citizens of our region. We know that in these troubling times, it is better to think regionally rather than independently. We all recognize that new economic activity will benefit our citizens and businesses, and that by pooling our resources and acting together, we are in a better position to compete on a global basis to attract businesses and jobs to our state.

Ypsilanti Township has been dealt some bad blows over the years by the auto industry. The last punch was delivered by GM this summer when it decided to shutter the Willow Run Ypsilanti Transmission Operation which employed generations of workers from my township as well as the surrounding area. Over 1,100 workers will be out of jobs when this plant closes its doors in 2010.

The Willow Run Plant has been vital to the people and economy of the Ypsilanti area as well as the counties of Washtenaw and Wayne. The plant is the Township's largest taxpayer, providing nearly 10% of tax revenues. The closing of this plant only

serves to compound the serious economic hardships already endured by the citizens of the area. In fact, many long time workers from the plant have decided it's time to pack up and leave Michigan's suffering economy.

The Aerotropolis is the single biggest hope we have as a township to transform our idled plant operations into engines of growth. We need state support and strong economic tools to ensure our success.

In addition to the jobs lost in my township, Michigan has lost over 500,000 manufacturing jobs since 2000. The Next Michigan Development Act Legislation is the best chance we have as a state to revitalize our ailing economy, stop the exodus out of Michigan, and give our citizens the chance for new employment.

I truly hope that we can work together to advance the State of Michigan through this legislation. We simply cannot wait any longer and in closing we must remember the words of President Roosevelt who lead our country during the depression "Try something, if doesn't work, try something else, but for God sake try something".

**Brenda Stumbo
Supervisor
Charter Township of Ypsilanti
7200 S. Huron River Drive
Ypsilanti, MI 48197**



michigan municipal league

MEMO

➤ 208 N Capitol Ave
1st Floor
Lansing, MI 48933-1354

TEL 517.485.1314
FAX 517.372.7476

to	House Transportation Committee	from	Andy Schor, Assistant Director, State Affairs
subject	Next Michigan / Aerotropolis Legislation	date	October 15, 2009

The Michigan Municipal League has serious concerns about the language in the Next Michigan package of bills.

The effect of the Michigan Next Zone legislation will be to drastically reduce the effectiveness of the core community tools by expanding these tools to Greenfield communities and counties throughout the state. The core community tools were implemented to give distressed communities and communities with legacy costs, labor costs, and other infrastructure costs a way to compete on a level playing field with Greenfield and developing communities. Core communities were set up to ensure that our older communities are not emptied because businesses have more incentives to build in cheaper and greener areas instead of redeveloping developed areas. This legislation will destroy that concept. If we are to explore the core community concept, that should be done in legislation specifically for that purpose and not in legislation that purports to assist communities with new tools when it really expands usage of already-existing tools reserved for core communities. This legislative package will make it even harder for core cities to compete regionally in attracting businesses and will place them at a competitive disadvantage.

This legislation will directly lead to sprawl. In addition to allowing all core community tools to be accessed by rural and Greenfield areas, the legislation allows for a great number of new renaissance zones that can be placed in Greenfield areas. That not only creates sprawl, it establishes a competitive advantage for Greenfield areas that would be very difficult for core cities next to the renaissance zones to overcome. Not only would these sites have lower barriers to entry (Greenfield build versus redevelopment), but also they would be tax-free. This goes against the reason for creation of core communities. This wipes out the core community tools.

While the intent of the bills has been said to allow parts of the state to promote their "unique assets," it is very unclear what will be considered a "unique asset."

The original intent of the aerotropolis legislation was to incent companies who rely on an airport to locate close to that airport so that they can either fly in and do business then leave, or so they can locate businesses very close to the airport. The Michigan Next Zones does not focus on airports and, instead, only inappropriately expands the core community tools to communities that don't currently have them and to counties. We would recommend that this legislation return to its original intent, and streamline the definition of air-relative activities to provide specific tools solely for companies that rely on the airport, and that locate within a very limited distance near the airport because the business is airport-related.



michigan municipal league

MEMO

➤ 208 N Capitol Ave
1st Floor
Lansing, MI 48933-1354

TEL 517.485.1314
FAX 517.372.7476

Bill-By-Bill Comments

5346 - Next MI Bill

- Requiring that this must include a county does not always capture true regional economic development. Many counties don't have economic development capabilities. Why not require a city with an EDC? Or a Core Community?
- The NM and LDFA legislation require the MEDC to market these zones. Where will the MEDC get the money to do this?
- This bill allows individual communities to retain the incentives after the Next Michigan corporation dissolves, making the expansion of these core community tools permanent even if the NM district fails.

5347 - LDFA

- This bill allows for state school tax capture. That is very rare, and for LDFA's is limited to technology parks and smartzones. This will allow any NM zone to capture school taxes, thus giving these districts tools that other communities don't have. Again, this is something several Greenfield areas could do surrounding a city and is sprawl, and now they will get state school dollars to attract companies which even core communities can't do. That is an unfair advantage for Greenfield area.
- The LDFA can be the entire area of the NM district, so can be the entirety of several Greenfield communities.
- This bill does not allow local entities to opt-out of taxes captured, nor does it allow for approval of TIF plan by municipalities – last session we agreed that this should say “except as provided for in the intergovernmental agreement”. That language was removed in this version.
- The bill allows usage of TIF dollars within or without the NM development areas – last session we agreed that this should be specified to say that the money spent is still within the NM district, even if it is outside the NM area.

5348 - PA 198

- Previous versions included language to limit the number of PA 198's allowed without the approval of the CVT. This was removed in the current version.

5349 - Renaissance Zone Bill

- This bill will allow a significant increase in RZ's, without any control of where they are. 3 townships with 1 county would be able to create 4 RZ's in a Greenfield area creating significant sprawl and attracting businesses that would normally go to the city. This creates a greatly uneven playing field on the side of the Greenfield areas.
- This bill allows the president of the strategic fund to restore a certification revoked by the NM board. Why not leave the decision with the locals?
- Bill says that if the certificate is revoked from a business, and the zone designation transferred, the transfer shall be for the full term initially determined. This should be changed to may, or just for the existing term.
- Why does business get the RZ designation for at least 10 years? Why not a local decision?
- Recommendations: RZ's should only be allowed if the surrounding urban areas support them, or



Michigan Municipal League

MEMO

► 208 N Capitol Ave
1st Floor
Lansing, MI 48933-1354

TEL 517.485.1314
FAX 517.372.7476

- The legislation should require the largest city in the county to approve the number of RZ's that the NM district may have.
- Language should be added to require infrastructure in order to have a RZ (police, fire, trash, recycling, sewer, water) similar to the language added to the personal property tax abatements law last year.

5350 – personal property tax abatement

- eligible communities – these bill make all communities in a NM district eligible to give personal property tax abatements, regardless of if it is part of the NM actions or not. It would allow greenfield communities and non core communities to now have complete access to this tool, even outside the NM board action. This language needs to specify that they are only eligible as part of the NM authority and not on their own!
- These bills removed previous language limiting number of these that can be offered and eliminated and the ability of the local assessing district to give approval.
- This version has language the acquiring business gets the exemption if the local unit approves or the NM Board approves. We had a deal last year to include “as per the intergovernmental agreement”.

5346 – Next MI Bill

- Requiring that this must include a county does not always capture true regional economic development. Many counties don't have economic development capabilities. Why not require a city with an EDC? Or a Core Community?
- This legislation will allow a NM district to be formed and any number of RZ's to be put into Greenfield areas. If a city is involved, as in the Wayne-Washtenaw district, that won't happen. But what happens in the NM districts formed by several townships and a county? They can put all the RZ's into Greenfield areas causing sprawl and drawing investments away from the city.
- The NM and LDFA legislation requires the MEDC to market the NM zones. Where will the MEDC get the money to do this?
- This bill allows the individual communities to retain the incentives after the Next Michigan corporation dissolves...thus making the expansion of these core community tools permanent even if the NM district fails!

5347 – LDFA

- This bill allows for state school tax capture. That is very rare these days, and for LDFA's is limited to technology parks and smartzones. This will allow any NM zone to capture school taxes, thus giving these districts tools that other communities don't have. Again, this is something several Greenfield areas could do surrounding a city and is sprawl, and now they will get state school dollars to attract companies which even core communities can't do. That is an unfair advantage for Greenfield area.
- The LDFA can be the entire area of the NM district, so can be the entirety of several Greenfield communities.
- This bill does not allowing local entities to opt-out of taxes captured, nor does it allow for approval of TIF plan by municipalities – last session we agreed that this



MEMO

► 208 N Capitol Ave
1st Floor
Lansing, MI 48933-1354

TEL 517.485.1314
FAX 517.372.7476

should say "except as provided for in the intergovernmental agreement". That language was removed in this version.

- The bill allows usage of TIF dollars within or without the NM development areas – last session we agreed that this should be specified to say that the money spent is still within the NM district, even if it is out side the NM area.

5348 – PA 198

- Previous versions included language to limit the number of PA 198's allowed without the approval of the CVT. This was removed in the current version.

5349 – Ren Zone Bill

- This bill will allow a significant increase in RZ's, without any control of where they are. 3 townships with 1 county would be able to create 4 RZ's in a Greenfield area creating significant sprawl and attracting businesses that would normally go to the city. This creates a greatly uneven playing field on the side of the Greenfield areas.
- This bill allows the president of the strategic fund restore a certification revoked by the NM board. Why is that? Anti local control.
- Bill says that if the certificate is revoked from a business, and the zone designation transferred, the transfer shall be for the full term initially determined. This should be changed to may, or just for the existing term.
- Why does business get the RZ designation for at least 10 years? Why not a local decision?
- Recommendations: RZ's should only be allowed if the surrounding urban areas support them, or
- The legislation should require the largest city in the county to approve the number of RZ's that the NM district may have.
- Language should be added to require infrastructure in order to have a RZ (police, fire, trash, recycling, sewer, water) similar to the language added to the personal property tax abatements law last year.

5350 – Personal Property Tax Abatement

- eligible communities – these bill make all communities in a NM district eligible to give personal property tax abatements, regardless of if it is part of the NM actions or not. It would allow greenfield communities and non core communities to now have complete access to this tool, even outside the NM board action. This language needs to specify that they are only eligible as part of the NM authority and not on their own!
- These bills removed previous language limiting number of these that can be offered and eliminated and the ability of the local assessing district to give approval.
- This version has language the acquiring business gets the exemption if the local unit approves or the NM Board approves. We had a deal last year to include "as per the intergovernmental agreement".



CITY OF DETROIT
MAYOR'S OFFICE

COLEMAN A. YOUNG MUNICIPAL CENTER
2 WOODWARD AVENUE, SUITE 1126
DETROIT, MI 48226
PHONE 313-224-3400
FAX 313-224-4128
WWW.DETROITMI.GOV

September 11, 2009

The Honorable Andy Dillon
Speaker
Michigan House of Representatives
P.O. Box 30014
Lansing, MI 48909-7514

Dear Speaker Dillon:

I am writing to express my concerns regarding bills that may soon be introduced to provide incentives for the proposed Aerotropolis project located between Detroit Metropolitan and Willow Run Airports. It is my understanding that the previous bills (HB 6502-6511) have been modified into a new "Next Michigan Development Zone" structure, but that the intent of these bills is to support the proposed Aerotropolis development, among other things. Based on my understanding of this proposed legislation, I am opposed to it. The proposed legislative package places older communities like Detroit at an even greater disadvantage in the competition for jobs and investment.

I have several concerns with this package. First, the Aerotropolis/Next Michigan Development Zone package will provide greenfield areas that create Next Michigan Zones an unbeatable competitive advantage over older communities. I am especially concerned about the Renaissance Zone provisions in the act, which if applied to greenfield areas, would make it almost impossible for older communities like Detroit to compete for new business investment. Not only would these development sites have lower barriers to entry, but also they would be virtually tax-free. This package takes incentives that were originally meant to level the playing field for older, struggling communities and repurposes them for any community in the state, regardless of need.

Second, this legislative package is too broad and has significantly strayed from its original purpose of providing targeted incentives for an Aerotropolis development. In the previous legislative version, the concept was to grow air-cargo and other logistics-oriented businesses in the Aerotropolis area. While that legislative package too had flaws, this package has the potential to create tax free zones, loaded with incentives, anywhere in the state regardless of true need. This package allows Next Michigan Zones to attract **any** kind of business to their development area. This has moved far away from the original notion that special incentives were needed to attract air-cargo and air logistics-related businesses to the Aerotropolis.

Third, even if the City of Detroit could compete for jobs against Next Michigan Zones in this new incentive scheme, this package makes it very difficult for the City of Detroit to even create a viable Next Michigan Development Zone. The Next Michigan incentive structure disproportionately benefits coalitions with many members, especially those of smaller size. Because of the city's large geographic size, it will be difficult for the City to partner with multiple adjoining communities to achieve benefits on the same scale as a coalition of several smaller communities. Many of the assets that would be considered "unique" are well within the city limits, making a similar collaborative arrangement difficult. In addition, creating multi-jurisdictional bodies is a complex negotiation that has no certainty of success.

I cannot stand by and allow this package to move forward in a way that is harmful to the City of Detroit. **I have concerns related to the following issues; however the City of Detroit's requirements cannot be fully listed until I have had the opportunity to examine the package as introduced.**

- Proponents of this package have suggested that the city will benefit from administrative facilities associated with Aerotropolis businesses. If that is the case, provisions should be made in the legislation that require that the administrative facilities supporting businesses benefiting from Next Michigan incentives be located in the nearest major urban center in order to qualify.
- If the incentive structure proposed in this package moves forward, the state must provide funds for special infrastructure and site preparation needs for the City of Detroit and other older urban areas in order to allow these areas to fairly compete with Next Michigan Zones.
- If a special provision were made in the legislation to accommodate a zone for the City of Detroit, it would need to have an equal number of incentives, especially Renaissance Zones, to similarly sized areas.
- The current package allows all businesses that currently qualify for MEGA awards to be eligible for incentives. The City cannot support any version of this package unless the definition of eligible businesses is limited to only air-cargo and other supply and logistics businesses.

The City of Detroit, like many communities throughout our state, is in desperate need for jobs and investment in order to rebuild its tax base. I recognize that there is benefit to developing significant infrastructure assets to attract businesses to our state. The City is home to several of those opportunities, especially in the supply chain and logistics field. I also recognize that there may be opportunities in the areas around Detroit Metropolitan and Willow Run Airports. However, this legislative package is not the right strategy for realizing these opportunities. The proponents of this package have not demonstrated a business case for this set of incentives, structured in this way.

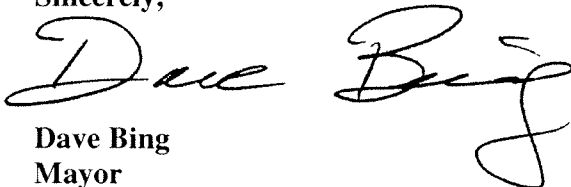
Instead, a sensible package must be crafted that is targeted for supply and logistics-related businesses, including air-related cargo and logistics businesses. Such a package would benefit the Aerotropolis area, but also would help other communities with supply and logistics assets. Such a package would have the following elements:

- **Restrict the definition of eligible business to legitimate air cargo and other supply and logistic functions.**
- **Allocate Renaissance Zones that are targeted to supply and logistics companies via a competitive state process, as opposed to awarding a set number to specific geographic areas. These Renaissance Zones must only be allocated on a project-by-project basis, to support real, and not speculative, significant business investments.**
- **Invest in the actual transportation infrastructure that can attract supply and logistics companies.**
- **Maintain the current system of local control over local tax incentives, and the traditional role of MEDC in the distribution of state incentives. New entities like the proposed Next Michigan Development Corporation will add to bureaucracy, not simplify it, and even further promote parochial economic development strategies.**

As you are painfully aware, we must be careful with our tax dollars in these difficult economic times. These dollars must be invested in a way that grows the economic base of our state. There is no evidence to suggest that this package will achieve that goal. Instead, it is very likely that this package will make older areas with existing infrastructure less attractive to investment, further eroding fragile tax bases, in exchange for uncertain gains elsewhere.

I look forward to working with you and any one else that is interested in crafting a legislative package that can achieve both the goals of new developments like Aerotropolis and communities with supply and logistics assets like the City of Detroit.

Sincerely,


Dave Bing
Mayor

cc: Majority Floor Leader Kathy Angerer
State Representative Bert Johnson

DAVE BING, MAYOR